

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF CREDIT UNIONS

NEWSLETTER

Volume 5, Number 10 November 19, 2003,

DIRECTOR'S MEETING WITH CREDIT UNION OFFICIALS

The 2003 survey of credit unions is now complete. 99 credit unions or 61% responded to the survey. Five meetings will be held in December to

- discuss the results of the survey,
- present the 2003 revision to credit union standard bylaws,
- provide an update on current issues,
- describe the Division's examination program for 2004
- present the 2003 Standard Credit Union Bylaws and
- listen to credit unions.

So we can plan for the number attending, please call our office at (573) 751-3419 or e-mail cu@ded.mo.gov and tell us the meeting you will attend.

To confirm that a meeting will still be held in the event of inclement weather, call us at (573) 751-3419 on the day of the meeting.

TIME AND DATE	LOCATION
Wednesday December 10, 2003 2 to 4 PM	Kansas City Fletcher Daniel's State Office Building 615 East Thirteenth Street Room 502 Kansas City, MO 64016 (816) 889-2668
Wednesday December 10, 2003 7 to 9 PM	St. Joseph Drury Inn Meeting Room 110 4213 Frederick Blvd. St. Joseph, MO 64506 (816) 387-2270
Thursday December 11, 2003 2 to 4 PM	Springfield Landers State Office Building 149 Park Central Square Springfield, MO 65806 (417) 895-6301
Monday December 15, 2003 2 to 4 PM	Jefferson City Meeting Room, lower level Conservation Employees Credit Union 2901 West Truman Blvd. Jefferson City, MO 65102 (573) 751-4115
Tuesday	St. Louis

**December 16, 2003
2 to 4 PM**

Wainwright State Office Building
111 North Seventh Street
Gallery Room
St. Louis, MO 63101
(314) 340-6801

FIELD OF MEMBERSHIP UP DATE

Springfield Telephone Employees Credit Union (now **Telcomm Credit Union**) submitted an application to include those persons who reside or work in the 417 telephone Area Code and the 573 (bordered on the north by I-70) telephone Area Code. The Director approved the expansion of **Springfield Telephone Employees Credit Union** to those in the 417 Area Code, but not the 573 Area Code. The decision was published in the November 15, 2000 Missouri Register. On November 30, 2000 the Missouri Bankers Association (MBA) and Century Bank of the Ozarks (CBO) filed an appeal of the decision to the Credit Union Commission. The Commission heard the appeal on March 29, 2001. On May 24, 2001 the Commission upheld the decision of the Director. On August 16, 2001, the decision was released and the Director filed **Springfield Telephone Employees Credit Union's** amended bylaws with the Secretary of State. On September 14, 2001, the MBA and CBO filed a petition for administrative review in Cole County Circuit Court.

On November 19, 2001, a hearing was held before Judge Tom Brown, Division 1, Circuit Court of Cole County. The motion to refer the case to another division of the court was granted and the case was referred to Judge Byron Kinder, Division 2. A motion to dismiss the case for lack of standing was heard on January 3, 2002. On January 29, 2002 the court ruled the plaintiffs lack standing to maintain causes of action set forth in their petition and ordered the plaintiffs' petition be dismissed. On March 11, 2002 the MBA and CBO filed an appeal of the decision in the Western Appellate Court of Appeals. Appellant's briefs were due June 3, 2002 with the respondent's briefs due July 3, 2002. A hearing by the Western Appellate Court was held on October 3, 2002 in Kansas City. On January 14, 2003, the Appellate Court upheld the decision of Cole County Circuit Court. On January 14, 2003, the MBA and CBO filed motions for a rehearing and transfer to the Missouri Supreme Court. The Appellate Court on March 4, 2003 denied the motions. On April 23, 2003, the Missouri Supreme Court issued an order transferring the

case to their jurisdiction. Oral arguments before the Supreme Court were heard on September 10, 2003. Briefs filed with the Supreme Court can be located at <http://www.osca.state.mo.us/sup/index.nsf?OpenDatabase>.

South Community Credit Union submitted an application for those who work or reside in Zip Codes 63109, 63111, 63116, 63123, 63125, 63128, 63129, and Crawford County, Franklin County, Gasconade County and Washington County. **Central Communications Credit Union** submitted an application for those persons who reside or work in the 816 telephone Area Code. The Director approved the applications submitted by **South Community and Central Communications Credit Unions**. These decisions were published in the November 15, 2000 Missouri Register. On November 30, 2000 the MBA and two local banks located in each of the two applicants' field of membership expansion areas filed appeals of the decisions to the Credit Union Commission. The Commission received the record of appeals from all parties on May 24, 2001. On August 9, 2001, the Commission upheld the decisions of the Director. The written decisions were released on January 25, 2002. On February 21, 2002, the MBA and the local banks filed a petition for administrative review in Cole County Circuit Court. Both cases were assigned to Judge Tom Brown, Division 1. On April 17 the cases were reassigned to Judge Byron L. Kinder, Division 2 and a motion was entered to stay the proceedings until the outcome of the Springfield Telephone Employees case was decided. The cases can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; the case numbers are 02CV323402 and 02CV323401.

Vantage Credit Union (formerly **Educational Employees Credit Union**) submitted an application for those who live or work in St. Louis County, St. Charles County, Jefferson County, Cape Girardeau County and Franklin County. The application was published in the December 15, 2000 Missouri Register. The Director approved the application and his decision was published in the February 15, 2001 Missouri Register. On March 1, 2001 the MBA and two banks located in the applicant's field of membership expansion area filed an appeal of the decision to the Credit Union Commission. The Commission received the record of appeal of **Educational Employees Credit Union** on October 19, 2001 and established briefing schedules. On March 5, 2002, the Commission dismissed the appeal due to lack of standing. On July 18, 2002 the MBA and the two banks filed a Petition in Mandamus in Cole County Circuit Court. An order by Cole County District Court staying the case was entered on December 2, 2002. The case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; case number 02CV324797.

City Utilities Credit Union submitted an application for

community residents and workers in Greene and Christian Counties. The application was published in the June 1, 2001 Missouri Register. The Director approved the application and his decision was published in the August 1, 2001 Missouri Register. On August 14, 2001 the MBA and a local bank located within the applicant's field of membership expansion area filed an appeal of the decision to the Credit Union Commission. On August 8, 2002 the Commission heard and denied the appeal for lack of standing. The decision was released on December 9, 2002. On January 2, 2003, MBA and the local bank filed a Petition in Mandamus in Cole County Circuit Court. The case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; case number 03CV323001.

First Community Credit Union submitted an application for individuals who reside or work in the counties of Lincoln, Warren, Franklin, Washington, St. Francois, Ste. Genevieve, Pike, Montgomery, Gasconade and Crawford in the state of Missouri and the City of St. Louis. The application was published in the August 1, 2002 Missouri Register. The Director approved the application and his decision was published in the September 16, 2002 Missouri Register. On September 26, 2002 the MBA and a local bank located within the field of membership expansion area filed an appeal of the decision to the Credit Union Commission. On November 19, 2003 the Commission heard the appeal and accepted into evidence information provided by the parties involved. Concurrent legal briefs will be filed by December 5, 2003.

Alliance Credit Union submitted an application for those who work or reside in St. Charles County or St. Louis County. The application was published in the November 15, 2002 Missouri Register. The Director approved the application and his decision was published in the January 16, 2003 Missouri Register. On January 30, 2003, the MBA and Allegiant Bank filed an appeal of the Director's decision with the Credit Union Commission. On November 19, 2003 the Commission heard the appeal and accepted into evidence information provided by the parties involved. Concurrent legal briefs will be filed by December 5, 2003.

St. Louis Postal Credit Union submitted an application for those who live or work in the Zip Codes 63005, 63017, 63042, 63043, 63044, 63126, 63127 and St. Charles County. The application was published in the December 2, 2002 Missouri Register. The director approved the application and his decision was published in the January 16, 2003 Missouri Register. A fifteen calendar period for appeal must occur before the decision is final. On January 30, 2003, the MBA and Midwest Bank Centre filed an appeal of the Director's decision with the Credit Union Commission. On November 19, 2003 the Commission heard the appeal and accepted into evidence information provided by the parties involved. Concurrent legal briefs will be filed by December 5, 2003.

United Community Credit Union, an Illinois chartered credit union, submitted an application for those who live or work in the Missouri counties of Lewis, Ralls and Marion. The application was published in the January 2, 2003 Missouri Register. The director approved the application and his decision was published in the February 18, 2003 Missouri Register. On March 4, 2003 the MBA and the Farmers and Merchants Bank and Trust Company filed an appeal of the Director's decision with the Credit Union Commission. On November 19, 2003 the Commission heard the appeal and accepted into evidence information provided by the parties involved. Concurrent legal briefs will be filed by December 5, 2003.

Aerospace Community Credit Union submitted an application for those who live or work in the remainder of St. Louis City, St. Louis County and St. Charles County that is not currently in the **Aerospace Community Credit Union's** field of membership and those who live or work in Lincoln County. The application was published in the May 1, 2003 Missouri Register. The director approved the application and his decision was published in the July 1, 2003 Missouri Register. On July 14, 2003 the MBA and the First National Bank of St. Louis filed an appeal of the Director's decision with the Credit Union Commission. On November 19, 2003 the Commission heard the appeal and accepted into evidence information provided by the parties involved. Concurrent legal briefs will be filed by December 5, 2003.

Southeast Telephone Employees Credit Union submitted an application for persons who live or are employed in the Missouri Counties of St. Francois County, Ste. Genevieve County, and Madison County. The application was published in the August 1, 2003 Missouri Register. On August 14, 2003 the MBA and the New Era Bank filed an appeal of the Director's decision with the Credit Union Commission. On August 27, 2003, the application was amended to persons who live or are employed in the Missouri County of St. Francois thereby rendering the appeal moot. The application was published in the October 1, 2003 Missouri Register. The Director approved the application and his decision will be published in the December 4, 2003 Missouri Register. After publication, a fifteen calendar day period for appeal must occur before the decision is final.

Raytown-Lee's Summit Community Credit Union submitted an application for those who live in Zip Codes 64055, 64122, 64138, 64052, 64129, 64034, 64082, 64081, 64063, 64064 and 64086. The application was published in the September 2, 2003 Missouri Register. The director approved the application and his decision was published in the November 3, 2003 Missouri Register. The decision is now final.

Edison Credit Union submitted an application for active

or retired employees of Townsend Communications, LLC, United Country Real Estate, Occu-Tec, Inc., O'Dell Service, North Kansas City electric, TimberKing, Inc., Data Source, Inc., Custom Lighting Services and immediate and household of members. The application was published in the November 18, 2003 Missouri Register. A ten business day period must occur before the Director can make a decision.

CREDIT UNION COMMISSION MEETS

The Credit Union Commission met on November 19, 2003. Commission members in attendance were Pat Yokley, Pat MacDonald, Lori Levine, Bill Humpfer, Sharon Ichord, Cathy Stroud, and John Hanneke. Others attending were, Mike Wambolt, and Linda Manlove, Attorney General's Office; Becky Kilpatrick, Regulatory Counsel, Department of Economic Development, Jack Pletz, Attorney, Tom Rynard, Attorney, Nina Pilger, Aerospace Credit Union, Peggy Nalls, Rosie Holub and Mike Winter, Missouri Credit Union Association; Zurett Merridith and John P. Smith, Division of Credit Unions.

The Commission approved revisions to 4 CSR 2.045 Member Business Loans, as recommended by the Director, Division of Credit Unions. The amended rule must be approved by the National Credit Union Administration Board followed by publication in the Missouri Register for comment prior to the rule's final adoption.

The public hearings for the appeals and acceptance into evidence information provided by the parties involved were held for First Community Credit Union, Alliance Credit Union, St. Louis Postal Credit Union, United Community Credit Union and Aerospace Community Credit Union. Concurrent legal briefs will be filed by December 5, 2003. The Commission agreed to meet on January 13, 2004 to reach their decision.

The Commission heard an update on appeals to the Commission of Director's decisions for the following credit unions:

- Telcomm Credit Union
- South Community Credit Union
- Central Communications Credit Union
- Vantage Credit Union
- City Utilities Credit Union

The Director updated the Commission on three applications by credit unions for field of membership expansions and discussed the condition of Missouri credit unions.

Peggy Nalls presented a state and federal legislative

update.

The Commission established the next regular meeting date as January 13, 2004 and cancelled the December 9, 2003 meeting.

From the Director...

Update of Standard Bylaws

Missouri credit union standard bylaws were last updated in 1992. During 2003 we consulted the Missouri Credit Union Association, credit unions, the law firm that represents many Missouri credit unions and our examiners to revise and update the bylaws now named 'The Revised Standard Bylaws 2003'. The 2003 version is available as paper copy, on floppy diskettes and CDs. At the December credit union meetings the changes will be described. We ask that credit unions adopt 'The Revised Standard Bylaws 2003' during 2004.

General Accounting Office (GAO) Study of Credit Unions released.

On November 4, 2003 the GAO released their major study of credit unions. This report is 183 pages in length and offers enough information for comment for all who read the study. GAO last studied credit unions in 1991; the current study reviews recommendations made at that time and evaluates changes in the industry since the earlier study.

The study makes three recommendations to Congress for legislative action (pages 83-84):

1. Should Congress be concerned that federally insured credit unions, especially those serving geographical areas, are not adequately serving low and moderate-income households, Congress may wish to consider requiring NCUA to obtain data on the proportion of mortgage and consumer loans provided to low- and moderate-income households within each federally insured credit union's field of membership and obtain descriptions of services specifically targeted to low- and moderate-income households.
2. To ensure the safety and soundness of the credit union industry, Congress may wish to consider making credit unions with assets of \$500 million or more subjects to the FDICIA requirement that management and external auditors report on the internal control structure and procedures for financial reporting, as well as compliance with designated safety and soundness laws.

3. To improve oversight of third-party vendors, Congress may wish to consider granting NCUA legislative authority to examine third-party vendors that provide services to credit unions and are not examined through FFIEC.

While I agree with recommendations 2 and 3, Congress should not impose recommendation 1 on state chartered credit unions. Missouri law provides incentives to credit unions to serve low income and underserved areas.

Results of the study will be widely discussed; I am interested in hearing your comments and opinions.

That is all for this time. Enjoy and give thanks on Thanksgiving.



John P. Smith, Director